

City of Seattle

Office of City Auditor

Susan Cohen, City Auditor



June 11, 2002

The Honorable Greg Nickels
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104

Dear Mayor Nickels and City Councilmembers:

Attached is our report regarding the administration of Seattle's Community Development Block Grant (CDBG) Program. We initiated the review in response to concerns regarding the reasonableness of the CDBG allocation process and interest in evaluating the roles and responsibilities of the CDBG Administration Unit. The review focused on whether the CDBG Administration Unit provided effective financial management and administrative oversight.

Based on our review, we concluded that the CDBG allocation process was reasonable and that the CDBG Administration Unit provided effective financial management and technical services to other City agencies responsible for implementing CDBG programs. However, the CDBG Administration Unit's oversight of City implementing agencies did not ensure the effective use of CDBG funds.

Specifically, the CDBG Administration Unit had not developed comprehensive, uniform monitoring procedures to guide the City's implementing agencies in assessing performance despite the identification of numerous monitoring deficiencies in federal, state and city audits. Routine community-based subrecipient progress reports were either not produced or were not available in CDBG project files to document project activity and status, and to confirm that CDBG resources were expended in compliance with contractually required objectives, standards, and schedules. In fact, the Human Services Department, which has primary administrative responsibility for the City's CDBG program, conducted financial assessments for only four of 41 projects that received CDBG funds during 2000.

We also found that the City's Impact Report could be improved by specifying CDBG program recipients' financial and performance status. City decision-makers and other interested individuals cannot measure performance for many CDBG-funded projects based on the information presented in the report. The disparate relationship between the accomplishments cited in the Impact Report and the stated objectives for CDBG-funded projects also suggest that the contractual objectives were not consistently established at

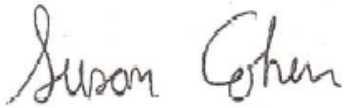
The Honorable Greg Nickels
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levels that ensured that CDBG resources were used efficiently for the City's low- and moderate-income citizens.

The Executive Response indicates support for the audit recommendations and refers to the new comprehensive monitoring procedures developed by the CDBG Administration Unit and other City implementing agencies that could address the monitoring issues raised in the audit. The Human Services Department, in cooperation with the Department of Finance, has also developed a timeline for the implementation of the comprehensive monitoring procedures, and committed to the development of an improved annual reporting format to inform City of Seattle decision-makers of the performance of CDBG-funded projects.

We appreciate the excellent cooperation received from the Human Services Department, the Department of Finance and the Council Central Staff during the audit process. If you have any questions regarding this report or would like additional information, please contact me at 233-1093.

Sincerely,

A handwritten signature in dark ink, appearing to read "Susan Cohen". The signature is fluid and cursive, with the first name "Susan" and last name "Cohen" clearly distinguishable.

Susan Cohen
City Auditor

SC:SB:WSH:tlb

Attachment

**ADMINISTRATION OF
SEATTLE'S COMMUNITY DEVELOPMENT
BLOCK GRANT**

JUNE 11, 2002

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EXECUTIVE SUMMARY

The Office of City Auditor initiated the review of the Administration of Seattle's Community Development Block Grant Program (CDBG) in December 2000 in response to concerns regarding the reasonableness of the CDBG allocation process, and due to interest in evaluating the roles and responsibilities of the CDBG Administration Unit. The review focused on the effectiveness of CDBG Administration Unit's oversight of grant program resources and technical assistance to City agencies and community-based subrecipients with CDBG implementation responsibilities. We also reviewed the monitoring practices that the CDBG Administration Unit and City implementing agencies developed to ensure that the City and community-based subrecipients complied with federal regulations and effectively used CDBG-funded resources.

Overall, we found that the CDBG allocation process was reasonable based on City policies, and that the CDBG Administration Unit's financial management and technical coordination services were generally consistent with federal requirements and City policies. City implementing agencies also considered the CDBG Administration Unit to be effective and responsive. However, the CDBG Administration Unit needs to expand the HUD-mandated monitoring and reporting to provide sufficient information for City decision-makers to assess the financial and programmatic performance of CDBG grant-funded activities.

SUMMARY OF SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

Finding 1: The CDBG Program Allocation Process Was Reasonable Based on City Policies. The CDBG Administration Unit's Financial Management and Technical Services Were Also Consistent with City Policies, and Considered Effective by City Implementing Agencies.

The City's financial policies and funding guidelines for the CDBG program were comprehensive and well-documented in the Council-adopted Consolidated Plan, including the strategies for responding to potential U.S. Department of Housing and Urban Development (HUD) funding increases or reductions. The CDBG Administration Unit managed the grant allocation process in accordance with City policies that provided clear direction from the Mayor and City Council for implementing the CDBG program. In addition, CDBG Administration Unit's financial management and technical coordination services to City implementing agencies were consistent with City policies and considered effective based on information provided during audit interviews and in response to a 1999 survey.

Finding 2: The CDBG Administration Unit's Oversight of City Implementing Agencies' Monitoring Practices Could Be Improved to Ensure the Effective Use of CDBG Funds.

The CDBG Administration Unit's oversight of City implementing agencies' monitoring practices was not consistent with federal monitoring policies. The CDBG Administration Unit and other City implementing agencies responsible for monitoring CDBG funds and grant-funded activities lacked comprehensive, uniform monitoring procedures to ensure that HUD funds were used effectively.

We recommended that the CDBG Administration Unit, in cooperation with all City implementing agencies, develop comprehensive and standardized monitoring procedures and formats for all CDBG grant-funded organizations and projects. The monitoring procedures should specifically address the objectives for desk reviews and in-depth assessments; how risks will be identified and addressed; and the schedule for monitoring reviews and on-site inspections.

Finding 3: The City's Impact Report Was Consistent with HUD Requirements. However, the Report Could Be Improved by Specifying CDBG Program Recipients' Financial and Programmatic Status.

Federal grantees are responsible for producing annual reports that provide sufficient information for HUD to assess compliance with applicable regulations and program requirements and report program achievements to Congress. The CDBG Administration Unit and implementing agencies developed the City's Impact Report to meet HUD's requirements. However, the Impact Report could be improved for City decision-making purposes by:

- Tying actual accomplishments to the Council-approved activities delineated in the Allocation or Action Plan for the corresponding year;
- Providing explanations and identifying adjustments when project accomplishments significantly exceed or fall below planned accomplishments; and
- Using performance indicators (i.e., specific units of service) and stated objectives that are easily identifiable, measurable and consistent with planned accomplishments.

We recommended that the CDBG Administration Unit and City implementing agencies expand the annual Impact Report to provide project-level information for decision-makers and other interested individuals to assess financial or program performance and to determine whether CDBG funds were used effectively during the reporting period. The Impact Report should also contain adequate performance and financial data, including allocation, budget and expenditure data, to report on the status of each City implementing agency, community-based subrecipient and project in relation to the national and local goals, strategies, and objectives identified in the annual Consolidated Plan.

CHAPTER I: INTRODUCTION AND BACKGROUND

The Office of City Auditor initiated the review of the Administration of Seattle's Community Development Block Grant Program (CDBG) in December 2000 in response to concerns regarding the reasonableness of the CDBG allocation process, and due to interest in evaluating the roles and responsibilities of the CDBG Administration Unit. We evaluated the effectiveness of CDBG Administration Unit's oversight of grant program resources and technical assistance to City agencies and community-based subrecipients with CDBG implementation responsibilities. We also reviewed the monitoring practices that the CDBG Administration Unit and City implementing agencies developed to ensure that the City and community-based subrecipients complied with federal regulations and effectively used CDBG-funded resources.

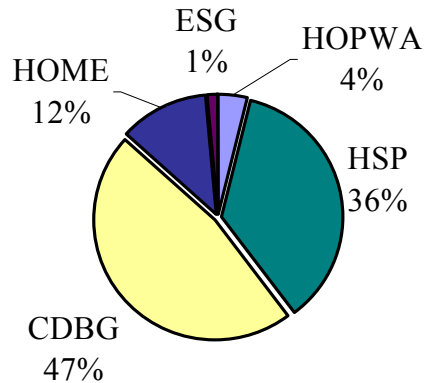
Housing and Community Development Act of 1974 and Seattle Entitlement Grants

The U.S. Department of Housing and Urban Development (HUD) first authorized the Community Development Block Grant Program under Title I of the Housing and Community Development Act of 1974. Initially, the CDBG Program emphasized capital facilities, but later shifted the emphasis toward broader community services for low-income residents. Currently, the CDBG Program is one of four federal formula grant programs designed to provide decent housing, economic development opportunities and other public services for low- and moderate-income citizens. HOME Investment Partnerships (HOME),¹ Emergency Shelter Grant Program (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) are the three other federal formula grant programs.

HUD has awarded annual CDBG entitlement grants to the City of Seattle for the past 27 years. Exhibit 1 below, extracted from Seattle's *2001-2004 Consolidated Plan for Housing and Community Development* (Consolidated Plan), displays the percentage breakdown of fiscal year 2001 HUD grant funds and City General Funds under the Human Service Program (HSP) for services to low- and moderate-income citizens. The City of Seattle currently allocates approximately \$16.7 million CDBG funds, \$4.2 million HOME Partnership funds, \$532,000 ESG funds, \$1.4 million HOPWA funds, and \$12.8 million HSP funds.

¹HOME provides formula grants to states and localities that are often used in partnership with local nonprofit groups to fund a wide range of housing activities, including construction, purchasing and rehabilitation of affordable housing for rent or homeownership. HOME also provides direct rental assistance to low-income people.

EXHIBIT 1
ALLOCATION OF 2001
CONSOLIDATED PLAN FUNDS



As shown in Exhibit 1 above, CDBG funds represent a significant portion (47 percent) of the total funds available to support Seattle's low- to moderate-income residents in accordance with the Council-adopted Consolidated Plan. The Consolidated Plan identifies national and local community goals as well as the City's long-term strategies to address housing, homeless, economic development and human service needs. In addition, the Consolidated Plan identifies the specific services or projects to be funded to improve housing opportunities, revitalize neighborhoods, increase and maintain adequate and affordable housing for low- and moderate-income families, and establish and expand small businesses.

Seattle's Decentralized Community Development Block Grant Administration

The City of Seattle, which is the official HUD grantee, decentralized the administration of the CDBG funds during the early 1990s and assigned primary administrative responsibility for the City's CDBG program to the Human Services Department (HSD). The CDBG Administration Unit is responsible for administering the CDBG grant and coordinating the annual grant application for the four federal entitlement grants.

The CDBG Administrative Unit's responsibilities include developing federally-mandated reports in cooperation with other City implementing agencies.² The Unit also determines and documents eligibility for CDBG funding; provides financial and technical assistance; establishes and maintains comprehensive financial systems; and serves as the City's principal grant contact for other governmental agencies.

²Other City implementing agencies include the Office of Economic Development, Office of Housing, the Department of Neighborhoods, the Department of Parks and Recreation, and Seattle Transportation. The Aging and Disability Services, Family and Youth Services, Community Services, Domestic Violence Program and other Program Support Divisions in the Human Services Department also implement CDBG grant-funded projects. The City Budget Office and Strategic Planning Office receive CDBG planning and administration funds from the Human Services Department, although the agencies do not directly administer or implement grant-funded projects.

The CDBG Administration Unit is effectively staffed by 6.1 full-time equivalents (FTE) including the CDBG Administrator (1 FTE), a Senior Finance Analyst (1 FTE), four Project Funding and Agreements Coordinators (3.1 FTE), and an Administrative Specialist (1 FTE). One Project and Funding Agreements Coordination position (0.6 FTE) is budgeted in the HSD Financial Management Program. The CDBG Administration Unit's adopted operating budget was approximately \$569,000 in 2001.

Federal Planning, Monitoring, Reporting and Record-keeping Requirements

The CDBG Administration Unit's grant responsibilities, functions, and activities are largely defined in the Code of Federal Regulation, U.S. Office of Management and Budget Circulars, and various HUD policy guidelines. Federal regulations require the City of Seattle to develop a Consolidated Plan that includes descriptions of the lead agency responsible for developing the plan and of the planning process; a needs assessment; a housing market analysis; a strategic plan and a one-year Action or Allocation Plan.³ The Action Plan must include the application, description of federal and local resources, funding strategies to accomplish national and local goals, and specific project allocations.

Federal policies also require frequent monitoring of organizations receiving CDBG funds in order to ensure accountability and compliance with federal requirements, and to evaluate performance at the organizational and project levels. Comprehensive systems must be maintained for managing and reporting on financial activity, and a Consolidated Annual Performance and Evaluation Report, also known as the CAPER or the Impact Report, must be developed. Federal policies also establish routine record-keeping requirements for HUD grantees to document the overall administration of the CDBG program. Appendix 1 contains an expanded summary of the regulatory responsibilities considered in the audit analysis of the CDBG Administration Unit.

Study Objectives

The Office of City Auditor initiated the Administration of Seattle's Community Development Block Grant Program audit in December 2000. Our primary audit objectives were to review the processes for allocating and administering CDBG funds, and the roles and responsibilities of the CDBG Administration Unit in providing financial and technical services to City implementing agencies and community-based subrecipients. The Office of City Auditor also reviewed the effectiveness of the CDBG Administration Unit's compliance with federal monitoring, reporting, and record-keeping requirements, including its oversight of City implementing agencies that are responsible for monitoring community-based subrecipients

³ICF Consulting, Housing and Community Development Group, *Basically CDBG* (September 1998), pp. 2-1 to 2-7. *Basically CDBG* is a comprehensive set of plain language guidelines available to CDBG program grantees.

Scope

The audit scope is limited to the analysis of the CDBG program administration, which included a review of City policies and procedures; U.S. Department of Housing and Urban Development grant regulations and guidelines; Seattle's Consolidated Plan for Housing and Community Development; and the Consolidated Annual Performance and Evaluation Report. We also reviewed the CDBG Administration Unit's 2000 and 2001 operating budget and staffing allocations along with previous CDBG program audits and studies. In addition, we interviewed City managers and staff regarding the CDBG Administration Unit's financial and technical services, and conducted desk reviews of CDBG-funded human services and capital facilities projects.

The Administration of Seattle's Community Development Block Grant Program audit was conducted between December 2000 and August 2001 in accordance with generally accepted government auditing standards.

CHAPTER II: CDBG ADMINISTRATION UNIT'S PERFORMANCE

This chapter focuses on the City's processes for allocating and administering CDBG funds, as well as the roles and responsibilities of the CDBG Administration Unit in providing financial and technical services for City implementing agencies and community-based subrecipients. In addition, we reviewed the effectiveness of the CDBG Administration Unit's compliance with federal regulations and its oversight practices, including its monitoring of City implementing agencies and community-based subrecipients.

Overall, we found that the CDBG allocation process was reasonable based on City policies, and that the CDBG Administration Unit's financial management and technical coordination services were generally consistent with federal requirements and City policies. City implementing agencies also considered the CDBG Administration Unit to be effective and responsive. However, the CDBG Administration Unit needs to expand the HUD-mandated monitoring and reporting to provide sufficient information for City decision-makers to assess the financial and programmatic performance of CDBG grant-funded activities.

FINDING 1: THE CDBG GRANT ALLOCATION PROCESS WAS REASONABLE BASED ON CITY POLICIES. THE CDBG ADMINISTRATION UNIT'S FINANCIAL MANAGEMENT AND TECHNICAL SERVICES WERE ALSO CONSISTENT WITH CITY POLICIES, AND CONSIDERED EFFECTIVE BY CITY IMPLEMENTING AGENCIES.

The City's financial policies and funding guidelines for the CDBG program were comprehensive and well documented in the Council-adopted Consolidated Plan, including the strategies for responding to potential HUD funding increases or reductions. The CDBG Administration Unit managed the grant allocation process in accordance with City policy that provided clear direction from the Mayor and City Council (with limited administrative discretion⁴) for implementing the CDBG program. Thus, we concluded that the CDBG allocation process was reasonable based on City policies.

Exhibit 2 below displays the Council-adopted HUD grant and City HSP allocations to the City implementing agencies for 2000 and 2001. Please note that the approximately \$36.4 million in 2000 and \$35.8 million in 2001 displayed in Exhibit 2 include carry-over funds released in prior years, as well as unreleased funds that will be drawn and expended for future facilities and services. Also note that the allocations displayed in the exhibit reflect a snap shot in 2001, but actually fluctuated throughout the fiscal period.

⁴Council action was required if CDBG funds in excess of \$50,000 were reprogrammed or additional funds became available to support new projects. Council action was also required for all float loan allocations.

<p align="center">EXHIBIT 2</p> <p align="center">SUMMARY OF 2000 AND 2001 COMMUNITY DEVELOPMENT BLOCK GRANT AND HUMAN SERVICE FUND ALLOCATION BY CITY IMPLEMENTING AGENCIES</p>					
	2000	2001			
City implementing agencies	All Funds	HSP	CDBG	Other HUD Funds	All Funds
HSD Aging and Disability Services	\$1,624,466	\$1,300,512	\$382,433	\$ 0	\$ 1,682,945
HSD Children, Youth and Family Development	3,444,924	2,426,791	1,110,331	31,824	3,568,946
HSD Community Services	10,977,846	3,406,068	5,572,391	2,243,127	11,221,586
HSD Leadership & Corporate Services*	1,961,083	64,099	1,838,219	0	1,902,318
HSD Domestic Violence	594,485	581,498	26,432	7,834	615,764
Health Department**	4,191,022	4,341,899	0	0	4,341,899
Office of Economic Development	2,836,007	753,686	2,042,314	0	2,796,000
Office of Housing	9,901,879	0	4,990,175	3,875,000	8,865,175
Department of Neighborhoods	286,596	0	285,982	0	285,982
Department of Parks and Recreation	558,296	0	492,723	0	492,723
Total Allocations	\$36,376,604	\$ 12,874,553	\$16,741,000	\$6,157,785	\$35,773,338
<p>Notes:</p> <p>*CDBG administrative funds allocated to the City Budget Office and the Strategic Planning Office are accounted for in HSD Leadership and Corporate Services.</p> <p>**The Seattle-King County Department of Public Health is not a City department and does not receive HUD funds. However, the City contracts with the Health Department to provide health and human services, which are supported by HSP funds.</p> <p>Source: City of Seattle 2001-2004 Consolidated Plan for Housing and Community Development, <i>Action Plan</i>, November, 2000.</p>					

As shown in Exhibit 2 above, the City allocated substantial CDBG resources to City implementing agencies during both 2000 and 2001 that funded approximately 250 housing, community development and human services projects for Seattle low- to moderate-income residents.

The City agencies have 27 years of experience in administering HUD entitlement grants. The CDBG Administration Unit, City implementing agencies and community-based subrecipients have substantial knowledge about the federal grant requirements and a long history of working together to provide services to Seattle's target populations. A substantial portion of CDBG funds is distributed each year to the various service areas according to a proportional allocation plan based upon the prior year's distributions, which means that the annual allocations are largely predictable. Additional physical development funding allocations are also distributed through annual requests for proposals or Notice of Funding Award processes. Some concerns have been raised periodically about continuously funding "entitled" community-based programs, particularly when CDBG funding is sought for new community-based agencies or initiatives. The City has historically adhered to the entitlement approach because it offers stability and continuity in implementing the CDBG grant and supporting community services. Any change in

the entitlement approach would require the development of new City policy and City Council and Executive approval.

CDBG Administration Unit's Financial Management and Technical Services Were Consistent with City Policies and Considered Effective by City Implementing Agencies

The CDBG Administration Unit was responsible for providing financial management and technical coordination services to City implementing agencies, which included: tracking allocation balances, establishing project accounts in the City and federal accounting systems, drawing funds from the Federal Integrated Disbursement and Information System (IDIS), monitoring revenue and expenditures, notifying City grantees of any accounting errors, releasing funds, and completing numerous financial reports required by HUD.

The CDBG Administration Unit managed the federal funds in accordance with the 1999-2000 and 2001-2004 Consolidated Plans, and within the percentage threshold established by HUD. The CDBG Administration Unit also managed the CDBG funds in a manner that ensured City retention of its unique \$4.8 million human services funding cap.⁵ The CDBG Administration Unit's financial and technical accomplishments were noteworthy given that the Unit manages approximately \$20 million to \$23 million annually in federal and City HSP funds; provides grant and loan administration services to other City agencies that also share administrative responsibilities; and is staffed by only 6.1 FTE.

While the CDBG Administration Unit has generally developed collaborative relationships with the City implementing agencies, issues have surfaced occasionally between these agencies and the CDBG Administration Unit regarding financial and performance monitoring. City implementing agencies and community-based subrecipients raised some concerns in the past regarding the CDBG Administration Unit's adherence to select HUD policies and rigorous monitoring requirements. However, during recent audit interviews and responses to a 1999 "customer" survey, City implementing agencies indicated that the current CDBG Administration Unit carried out its federal- and City-mandated responsibilities in an effective manner.

RECOMMENDATION

None.

⁵Although HUD established a 15 percent cap on the allocation of CDBG funds for human services, the City of Seattle was granted a Congressional exception that established a \$4.8 million human services cap.

FINDING 2: THE CDBG ADMINISTRATION UNIT'S OVERSIGHT OF CITY IMPLEMENTING AGENCIES MONITORING PRACTICES COULD BE IMPROVED TO ENSURE THE EFFECTIVE USE OF CDBG FUNDS.

The CDBG Administration Unit's oversight of City implementing agencies' monitoring practices was not consistent with federal monitoring policies. In addition, numerous HUD, Washington State Auditor's Office, and Office of City Auditor reviews cited deficiencies in City of Seattle CDBG funded activities.⁶ The CDBG Administration Unit and other City implementing agencies responsible for monitoring CDBG funds and grant-funded activities lacked comprehensive, uniform monitoring procedures to ensure that HUD funds were used effectively.

Although the CDBG Administration Unit developed interdepartmental agreements requiring City implementing agencies to monitor the performance of community-based subrecipients, consistent with the City's decentralized CDBG administration model, the interdepartmental agreements did not provide specific monitoring guidelines. Each implementing City agency developed its own monitoring procedures and schedules. The result was that the City's CDBG monitoring practices varied by implementing department and were generally limited to desk reviews of community-based subrecipient invoices and performance.

For instance, HSD adopted internal monitoring policies requiring in-depth assessments for one-third of their community-based subrecipients each year (e.g., three-year assessment cycle), consistent with HUD requirements for periodic in-depth and on-site assessments that included detailed examination of client records and interviews with staff. However, routine community-based subrecipient progress reports were either not produced or were not available in the CDBG project files to document monitoring efforts needed to determine whether subrecipients met contractual objectives, standards and schedules.

The CDBG Administration Unit and City Implementing Agencies Had Not Yet Established a Risk Assessment Tool to Ensure CDBG Monitoring Resources Were Maximized

Furthermore, the CDBG Administration Unit and City implementing agencies had not yet developed and implemented a risk assessment tool, consistent with HUD monitoring guidelines, to identify high risk conditions that signal the need for more frequent and/or extensive monitoring. *Basically CDBG* indicated that high risk factors, including newness to the CDBG program, turnover in key staff positions, past compliance or performance problems, undertaking

⁶Numerous HUD monitoring letters and other agency audits of CDBG-funded projects conducted since 1999 cited monitoring deficiencies. Examples include a 1999 City audit of the Rehabilitation and Emergency Assistance for City Homeowners (REACH) Program that noted a deficiency in monitoring subrecipients' management of REACH funds. A 1999 Washington State Auditor's Office Audit identified compliance and contract monitoring issues regarding CDBG float loans. A series of HUD monitoring reports between 1999 and 2001 raised issues regarding subrecipients' compliance with HUD documentation requirements; funding of community organizations rather than project-specific activities; and inattention to CDBG requirements due to the lack of centralized monitoring.

The HUD representative who conducted the 2001 HUD review also noted that the City should monitor community-based subrecipients with large or multiple project grants more frequently than every three or four years, which is the City's stated standard for performance monitoring. Currently, City implementing agencies do not complete financial assessments either on a routine three- to four-year or high-risk basis. For instance, HSD conducted financial assessments for only four of 41 projects that received CDBG funds in 2000. One community-based subrecipient managed all four projects.

Several Factors Contributed to the Monitoring Issues Identified in Recent Audits and HUD Reviews

Several factors contributed to the monitoring concerns and findings identified in the recent audits and monitoring reviews. First, HUD did not consistently monitor its CDBG grantees to ensure that its extensive grant requirements were met. While the CDBG Administration Unit and City implementing agencies conscientiously conducted federally-mandated environmental reviews and rigorously monitored community-based subrecipients' compliance with federal labor requirements (e.g., Davis-Bacon Act, contract work hours, etc.), the City's efforts were less rigorous in other regulatory areas that HUD did not consistently monitor. In fact, the CDBG Administration Unit reduced its community-based subrecipient monitoring and assessment efforts in 1997 partially due to City implementing agencies' resistance to the CDBG Administration Unit's "interference with their projects" and due to a shift in priorities under the previous Mayoral administration.

Secondly, the CDBG Administration Unit did not have sufficient staffing resources nor the technical expertise to conduct routine financial and performance reviews of City implementing agencies, or to coordinate efforts with other City implementing agencies to monitor community-based subrecipients. Long-standing City policy caps administrative expenses at ten percent, or \$1.5 million of the City's total CDBG grant allocation. Yet the CDBG Administration Unit retained only \$569,000 in 2001 for administration, which was not adequate to support the full range of HUD-mandated oversight activities. The CDBG Administration Unit's monitoring and record-keeping practices are unlikely to improve or expand significantly without adequate financial and staffing support, or without a firm commitment from each implementing City agency to collaborate in both the development and implementation of comprehensive monitoring procedures.

It should be noted that the CDBG Administration Unit and City implementing agencies have collaborated successfully on numerous activities, such as defining the roles and responsibilities related to the development of consolidated plans, action plans and plan revisions; annual financial and performance reports; and reprogramming unused CDBG funds. It is reasonable to expect the CDBG Administration Unit and City implementing agencies to collaborate effectively to develop and implement comprehensive and systematic monitoring processes for evaluating community-based subrecipients' performance.

CDBG Program Resources May Need to Be Redirected to Improved Monitoring Practices

Although approximately \$1.5 million was available to support HUD-mandated CDBG administrative and oversight functions in 2001, the City allocated only \$569,000 to the CDBG Administration Unit. The City allocated \$192,000 of the remaining funds to the HSD Planning and Communications Unit and Community Facilities Unit; \$661,000 to HSD's Indirect Cost Pool (please refer to Appendix 2 for a listing of HSD positions included in the indirect cost pool⁷); \$53,000 to the City Budget Office; and \$46,000 to the Strategic Planning Office. Thus, almost half of the CDBG administrative funds supported indirect CDBG activities.

While this allocation supported the overall administration of the CDBG and CDBG-eligible planning and administration activities in HSD, the City Budget Office, and the Strategic Planning Office, there is opportunity to redirect some CDBG resources to increased monitoring efforts. For example, the CDBG Administrator, who has also worked as the lead staff on HSD budget development activities,⁸ could be redirected to full-time CDBG administration activities.

Another example is redirecting CDBG funding from the City Budget Office and Strategic Planning Office, which received approximately 6.5 percent of the CDBG program funds in 2001. The City Budget Office and Strategic Planning Office justified the use of CDBG funding for these positions on the basis of their work with HSD, the CDBG Administration Unit, and public corporations that receive CDBG funds. While the justifications were not unreasonable, the positions funded by the CDBG grant may need to be prioritized since more staff is required to fulfill HUD-mandated direct monitoring and oversight requirements. In prioritizing the use of CDBG grant funds, it would be reasonable to give priority to funding a full-time administrator to develop a comprehensive monitoring program and negotiate its implementation with the other City agencies that receive CDBG grant funds. It would also be reasonable to increase staffing levels to expand direct monitoring activities.

RECOMMENDATIONS

1. The CDBG Administration Unit, in cooperation with all City implementing agencies, should develop comprehensive and standardized monitoring procedures for all CDBG grant-funded organizations and projects. The monitoring procedures should specifically address the objectives for desk reviews and in-depth assessments; how risks will be identified and addressed; and the schedule for monitoring reviews and on-site inspections.
2. The CDBG Administration Unit and City implementing agencies should develop a monitoring plan at the beginning of each program year that matches available resources for monitoring and is consistent with the established procedures and schedules for evaluating community-based subrecipients' performance.

⁷The position listing is based on HSD's federally approved indirect cost allocation methodology.

⁸According to the CDBG Administrator, at least 25 percent of her annual work hours were committed to HSD budget preparation activities, and non-CDBG funding supported that portion of her position in 2000.

3. The CDBG Administration Unit, in cooperation with all City implementing agencies, should develop and implement standardized monitoring formats (e.g., sample checklists and assessment forms) to promote uniformity in documenting desk reviews and in-depth evaluations. The CDBG Administration Unit should also develop a reporting structure to ensure that any issues are addressed in an effective and timely manner.
4. HSD, in cooperation with the Mayor's Office and all City implementing agencies, should develop a funding model that ensures that sufficient CDBG administrative and planning resources are directly allocated to meet HUD-mandated oversight and monitoring requirements.

FINDING 3: THE CITY'S IMPACT REPORT WAS CONSISTENT WITH HUD REQUIREMENTS. HOWEVER, THE REPORT COULD BE IMPROVED BY SPECIFYING CDBG PROGRAM RECIPIENTS' FINANCIAL AND PERFORMANCE STATUS.

HUD requires grantees, including the City of Seattle, to produce annual reports to provide the information necessary for HUD to assess compliance with applicable regulations and program requirements and report to Congress. Annual reports also provide grantees an opportunity to describe local CDBG program achievements. The CDBG Administration Unit and implementing agencies developed the City's Impact Report to meet these HUD requirements. The 2000 Impact Report introduction states that the purpose of the report is to:

- Inform citizens of the City's successes in meeting the objectives stipulated in the 1999-2000 Consolidated Plan;
- Describe the results and benefits produced by the City and its community partners; and
- Provide comparisons of planned and actual key results, intended to show progress made toward meeting the stated goals.

Although the 2000 Impact Report was consistent with HUD requirements, the information provided in the report was not sufficiently condensed or provided at a project level to allow City decision-makers and other interested individuals to determine whether CDBG funds were used effectively. It was impossible to measure performance for many individual projects, or collective projects within categorical service areas, and whether the City's adopted goals and objectives in serving low- and moderate-income citizens were met based on the information provided in the 2000 Impact Report. Exhibit 3 below displays a sample of planned objectives for 2000, the actual accomplishments extracted from the Impact Report, and interpretive comments about the results in relation to the selected performance measures.

EXHIBIT 3 2000 IMPACT REORT OBJECTIVES AND ACCOMPLISHMENTS		
Stated Objectives	Actual Accomplishments	Audit Comments
1,000 people will have improved access to permanent housing through a case management plan, or move into transitional or permanent housing	3,017 people moved into permanent or transitional housing	Actual accomplishments were 300 percent of planned accomplishments. The report is silent on the potential need to increase contractual performance levels.
Assist 153 households who would not otherwise qualify for conventional loans to purchase their first home with down payment assistance	276 households purchased homes with down payment assistance	Actual accomplishments were 180 percent of planned accomplishments. The report is silent on the potential need to increase contractual performance levels.
274 units will be funded and 491 units funded in previous years will be completed and available for occupancy	795 units were funded and 440 units were completed and available for occupancy	Actual accomplishments for funding units were 290 percent of planned accomplishments, while units available for occupancy were 10 percent lower than planned accomplishments. The report is silent on performance discrepancies.
HSD Community Facilities will provide loans to 12 nonprofit agencies	Nine nonprofit agencies received funding	Rather than citing the agencies that received funding, HUD prefers that performance measures focus on benefits to individuals or households.
Office of Housing will sell 6 parcels of vacant city owned land in the Central Area for redevelopment, resulting in 180 units of affordable housing	The Office of Housing is making progress on 8 parcels with 2 additional properties in the predevelopment phase	Progress made on a total of 10 parcels, but the report does not reference the status of the planned 180 units of affordable housing.
Objectives were not identified in 2000 Impact Report	Nine parks were upgraded	The report does not identify the planned accomplishment, thus, performance is not measurable against a status objective.
Source: City of Seattle CDBG Administration, 2000 Impact Report, Consolidated Annual Performance Evaluation Report, March 30, 2001.		

As shown in Exhibit 3 above, CDBG accomplishments exceeded stated goals in numerous cases. The disparate relationship between the accomplishments and objectives suggest that the objectives are understated and that the City implementing agencies need to establish higher

contractual performance objectives to ensure that CDBG funded services are maximized for low- and moderate-income citizens. Based upon our review of the 2002 Impact Report, the CDBG Administration Unit could improve the Impact Report by:

- Describing actual accomplishments in relation to the Council-approved activities delineated in the Allocation or Action Plan for the corresponding year;
- Providing explanations for project accomplishments that significantly exceed or fall below planned accomplishments;
- Offering policy alternatives for Council consideration when recurring performance issues indicate a need for a more systematic approach to achieve goals or correct deficiencies;
- Identifying adjustments required for the subsequent year based on actual key results (contractual performance levels) that exceed stated objectives; and
- Presenting performance indicators (i.e., specific units of service) and stated objectives that are easily identifiable, measurable and consistent with planned accomplishments.

The local HUD representative also noted the "difficulty in determining the effectiveness of individual activities in meeting the priority needs of the City." The original concept of the Consolidated Plan was for grantees to identify specific outcomes (goals) that would be achieved, and measure the accomplishments of activities to determine their effectiveness in meeting the stated outcome. The Impact Report is the City's mechanism for reporting its accomplishments in achieving the stated goals.

According to the CDBG Administrator, the chair and members of the City Council Housing, Human Services and Community Development Committee expressed satisfaction and appreciation for the Impact Report at a committee presentation in 2001. However, if decision-makers want specific information about the status of projects or want to determine whether CDBG funds were used effectively, the CDBG Administration Unit and City implementing agencies will need to expand the annual Impact Report. Rather than creating a new, extensive report, the CDBG Administration Unit could append specific financial and program performance results to the Allocation Plan for the corresponding reporting period to create a streamlined, but detailed report for decision-makers. As noted in Finding 2, additional CDBG administrative resources may be needed to produce an expanded Impact Report with specific financial and program results information for City officials.

Financial Status of CDBG-Funded Projects Was Difficult to Track Using the Established Financial Reports

During the audit, we tracked the 2000 CDBG program allocations, budgets, and expenditures by individual project. However, we could not readily identify the financial status of CDBG-funded projects in the 2000 Impact Report and other financial documents provided by the CDBG Administration Unit. Project accounts established in the IDIS system did not contain the total funds allocated because the funds had not yet been released, and some project accounts contained more funds than the amount allocated during the annual period due to funds carried over from prior years. Numerous differences were also identified between project appropriations and expenditures due to reprogramming CDBG funds that were reprogrammed and transferred to new project accounts based on the approved set of protocols by the City Council.

In addition, some delays occurred in identifying CDBG-funded projects due to pending request-for-proposal processes. According to the CDBG Finance Analyst, up to 22 months may be required from the release of the formal request for proposal to the release of CDBG funds to the selected capital development projects. The CDBG Administration Unit was ultimately required to provide new reports and assistance in the audit analysis because the standard reports did not contain sufficient information to track the status of CDBG projects.

It should be noted that the financial accounting practices for the CDBG program are likely to be further complicated in future reporting periods by the proliferation of new, short-term (one-year versus multi-year) projects. The increased number of CDBG projects is the result of improved City compliance with HUD's requirement to tie CDBG program funding to the approved project activities rather than to community-based subrecipients. One consequence of the project proliferation is that the scope of activities negotiated in new project contracts may not be clearly defined due to the need to rapidly initiate and fund the projects. Thus, adherence to comprehensive financial and performance monitoring, reporting and record-keeping requirements will become more problematic, underscoring the need to provide or redirect resources to further strengthen management oversight of the CDBG program.

RECOMMENDATIONS

1. The CDBG Administration Unit and City implementing agencies should expand the annual Impact Report to provide project-level information for decision-makers and other interested individuals to easily assess financial or program performance and determine whether CDBG funds were used effectively during the reporting period.
 2. The CDBG Administration Unit and City implementing agencies should ensure that any differences between planned and actual program accomplishments are adequately explained in the Impact Report, particularly in relation to the national and local goals, strategies and objectives identified in the annual Consolidated Plan.
 3. The CDBG Administration Unit and City implementing agencies should ensure that the annual Impact Report contains adequate financial data, including allocation, budget and expenditure data, to report on the financial status of each City implementing agency, community-based subrecipient and individual project.
-

APPENDIX 1

FEDERAL PLANNING, MONITORING, REPORTING AND RECORD-KEEPING REQUIREMENTS

The CDBG Administration Unit's grant responsibilities, functions, and activities are largely defined in the Code of Federal Regulation (24 CFR Part 570.500), and were considered in our evaluation of CDBG Administration Unit's financial and technical services. Federal regulations require the City of Seattle to develop a Consolidated Plan for the four federal formula grant programs. Although the City has discretion in administering its CDBG program, the Consolidated Plan must contain five components: descriptions of the lead agency responsible for developing the Consolidated Plan and of the planning process; a housing and homeless needs assessment; a housing market analysis; a strategic plan (three to five years in length) and a one-year Action Plan.⁹ The Action Plan must include the application, description of federal and local resources, funding strategies to accomplish national and local goals, and specific project allocations. The CDBG Administration Unit and City implementing agencies are required to administer the CDBG program in compliance with the Consolidated Plan, which must be approved annually by both local officials and HUD field representatives.

Federal regulations identify three primary methods for ensuring and documenting compliance with program requirements—monitoring, reporting and record-keeping.¹⁰ The primary goals of monitoring are to ensure accountability and compliance with federal requirements, and to evaluate performance at the organizational and project levels. HUD requires monitoring of organizations receiving CDBG funds, including frequent monitoring of select "higher risk" projects. HUD also requires on-going monitoring and technical assistance to facilitate the exchange of information and allow clarification of performance expectations.

The CDBG Administration Unit must maintain comprehensive systems for managing and reporting on financial activity, and develop the Consolidated Annual Performance and Evaluation Report, also known as either the CAPER or the Impact Report. (HUD uses information from the Impact Report, as well as from the federal Integrated Disbursement and Information System (known as IDIS), to assess the City's ability to carry out its program in compliance with HUD regulations and to report to Congress.) The CDBG Administration Unit is also responsible for collecting and reviewing federally mandated audits; assisting external auditors with reviews; and conducting financial assessments and compliance reviews of community-based subrecipients.

Federal policies also set forth record-keeping requirements for HUD grantees to document the overall administration of the CDBG program. City implementing agencies must also maintain records that include budgets and eligibility determinations for each project, HUD monitoring correspondence, environmental reviews, and document compliance with other federal mandates

⁹ICF Consulting, Housing and Community Development Group, *Basically CDBG* (September 1998), pp. 2-1 to 2-7. *Basically CDBG* is the most current and comprehensive set of plain language guidelines available to CDBG program grantees.

¹⁰ICF Consulting, Housing and Community Development Group, *Basically CDBG* (September 1998), pp. 10-1 to 10-18.

(i.e., citizen participation, fair housing, equal opportunity and labor regulations). In addition, City implementing agencies must maintain various financial records, including a chart of accounts and accounting procedures manual; bank and payroll records; and financial reports. CDBG grantees must also maintain records on community-based subrecipients that include written agreements; financial records; progress reports; draw down requests with source documentation such as invoices and purchase orders; monitoring reports; and correspondence.

APPENDIX 2

HUMAN SERVICES DEPARTMENT INDIRECT COST POOL

The City allocated \$661,000 in CDBG funds to HSD's Indirect Cost Pool. The following HSD positions are partially supported and included in the indirect cost pool. (Please see the following materials for detailed information regarding the positions and functions included in the Indirect Cost Pool.)

Division	Position
Office of the Director	Human Services Department Director
	Deputy Director
	Administrative Specialist I
Office of Policy Support	Strategic Advisor
	Senior Planning and Development Specialist
	Planning and Development Specialist II
	Public Information Specialist
	Manager 2
	Administrative Specialist II
	Administrative Specialist I
Program Support Division	Director
	Administrative Specialist II
	Administrative Specialist I
Human Resources	Personnel Manager
	Senior Personnel Specialist
	Personnel Specialist
	Personnel Specialist, Assistant
	Benefit Administrator
Finance, Budget and Accounting	Finance Analyst Supervisor
	Senior Finance Analyst
	Finance Analysts
	Accountant
	Accounting Technician II
	Administrative Specialist I
	General Accounting Manager
	Senior Accountant
	Principal Accountant
	Accounting Technician I
	Data Entry Operator
Information/Technology	Information Technology Manager
	Senior Management Systems Analyst
	Systems Analyst
Operating Divisions	Division Director (Three Positions)
Source: City of Seattle Human Services Department, 1999 Organizational Structure.	



City of Seattle

Paul Schell, Mayor

Human Services Department

Venerria L. Knox, Director

April 23, 2001

To Whom It May Concern:

The materials attached detail the costs included in the Human Services Department Indirect Cost Pool and the calculation of the Department's indirect cost rate of 5.9 % for 2001. The direct and indirect costs included in this calculation are based on those incurred by the Department in 1999. The rate is calculated using the same methodology as for indirect cost rate agreements previously approved by the Department of Health & Human Services, Region X, Divisions of Cost Allocation.

The materials attached and all documentation in support of the costs included will be retained for a period of at least three years and will be subject to review by the Office of the Washington State Examiner as part of the annual audit of The City of Seattle. Should further information be needed concerning this subject, please contact Robert Liston at 684-0105.

Sincerely,

Venerria L. Knox
Director



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Human Services Department 1999 Organizational Structure

In a City-wide reorganization effective January 1, 1999, a separate Office of Housing was created, and the Department of Housing and Human Services became the Human Services Department (HSD). For 1999, the Department consisted of three operating divisions; Aging and Disability Services (renamed from Division on Aging), Community Services and Family and Youth Services. The Program Support Division provided finance, personnel and information/technology services to the Department as a whole. The Office of the Director provided leadership, planning and communication, contract management and included the Domestic and Sexual Violence Prevention Office.

Each of the directors of the three operating divisions were paid from City general funds, and the costs of these positions are included in the Department's Indirect Cost Pool. Thus, for 1999, the Department's Indirect Cost Pool

*Office of the Director
Program Support Division
Aging and Disability Services
Division of Family and Youth Services
Community Services Division*

consists of the Office of the Director, the Program Support Division, the Division and Office Directors and the Department's share of the City's approved Central Cost Allocation Plan. The City Central Cost Allocation is calculated using the mechanism agreed upon in a 1987 meeting with the U.S. Department of Health & Human Services Division of Cost Allocation. The City Central Cost Allocation included in this proposal is derived by calculating the five year average of the Department's City Central Cost Allocation as developed by the City Executive Services Department, Finance Office (formerly Comptroller's Office) as a percentage of total Department expenditures. City Central Costs allocated to the Department during the period 1995-1999 have averaged 1.95% of total Department expenditures. The positions and functions included in the Indirect Cost Pool are described below.

Office of the Director

HSD Director

The Director is responsible for the overall leadership, organization and administration of the Department. The position is responsible for the planning and delivery of human services for The City and, in some cases, throughout King County. The Director reports to the Mayor and coordinates housing and human service activities with City government.

Deputy Director

This position assists the Director in the overall leadership and management of the Department. The Deputy Director is delegated lead responsibility for key department initiatives and projects and coordinates the Department's responsibilities in citywide emergency and disaster management.

Administrative Secretary

The Administrative Secretary provides secretarial support to the Director by preparing correspondence, memos and reports; maintaining the Director's schedule and files; making travel arrangements; and providing for orderly routing and signature of grants, contracts and other materials.

Administrative Specialist I

This position supports the Deputy Director, provides telephone and walk-in reception to the Director's Office and provides back up support to the Administrative Secretary. The Administrative Specialist I handles scheduling, correspondence, filing and other duties for the Deputy Director.

Office of Policy Support

Strategic Advisor, Sr. Planning & Development Specialist, Planning and Development Specialist II

These positions form the central planning staff for the Department. This unit is responsible for the coordination and development of the City's Consolidated Plan for Housing and Community Development, the planning document for the use of four federal HUD grants: Community Development Block Grant, Housing Opportunities for Persons With AIDS, HOME and Emergency Shelter Grant. It also serves as the City policy plan for the use of some \$11 million in City General Funds for Human Service programs. This plan guides the allocation and use of the local and federal discretionary resources available for human services. The positions also provide assistance in the development of applications for funding and coordinate with fund sources, other human service providers, and regional governments to effectively target resources on human needs. Staff analyze public policy issues affecting human services; develop resources and information concerning population data; and provide technical assistance to the Department Director, Division Directors and the human services community concerning trends in funding, programs and needs for human services. The Strategic Advisor staffs the Department Director in key local and regional human service planning initiatives and may represent the Director at such forums.

Public Information Specialist (2.0FT)

These positions coordinate the Department's public information and client outreach functions, including relations with the media, requests made under the Washington State Public Disclosure Act and/or federal Freedom of Information Act, respond to media inquiries, coordinates the Department web pages, prepare the Department's Annual Report, prepare brochures and other Department publications, and coordinate public events involving the Department Director, Deputy Director and public events including the Mayor or City Councilmembers which involve Department programs or services.

Manager 2

This position manages and coordinates Department contracting policies and is responsible for compliance with federal, state and local requirements in all of the Department's contracting actions in over 700 contracts with some 300 providers. The position coordinates and prepares

City legislation regarding the Department, coordinating with the City Budget Office, Law Department and City Council.

Administrative Specialist II

This position prepares and maintains centralized word processing files for the Department contracts, budget and related documents. The position reviews all Department contract actions for accuracy, internal consistence and compliance and tracks all contract actions through the Department's internal review and approval process. The position also prepares the final editions of all City legislation (ordinances and resolutions) which the Department initiates.

Administrative Specialist I (.6FTE)

The Administrative Specialist supports the unit by preparing mailings, memos, correspondence and reports; arranging schedules; and maintaining files and photocopy equipment.

Program Support Division

Director (Executive 2)

The Director of Program Support supervises Financial, Human Resource and Data Management for the Department. These sections provide the central administrative functions for the Department. Financial services include reimbursing contractors, preparing invoices to grantors, developing financial information and reports for use by program managers. Human Resources provides personnel management, maintaining financial and personnel records, and providing payroll, benefits and employee safety services. The Information/Technology unit provides systems development and maintenance, data processing, computer network management, maintenance and technical support. The preparation of the Department's annual budget is the responsibility of the Program Support Director.

Administrative Specialist II, Administrative Specialist I (2.0 FTE)

The Administrative Specialists provide clerical and administrative support for the Director of Program Support and units within the division by keeping schedules, preparing documents, correspondence, memos and reports and grantor invoices, answering telephones, and maintaining files and office equipment and ordering supplies. The Administrative Specialist II also coordinates the Department's vehicles and telephone services.

Human Resources

Personnel Manager (Manager 2)

The Personnel Manager is responsible for all Department personnel actions, makes recommendations on staffing and salary levels, supervises preparation and processing of personnel transactions, compiles data for reports and information, prepares job descriptions and examination packages to select Department personnel and coordinates hiring, layoff, disciplinary and termination procedures.

Sr. Personnel Specialist, Personnel Specialist (2.0 FTE)

These positions assist the Personnel Manager in the preparation and processing of personnel activities, preparation of job descriptions and examinations, compilation and analysis of data,

coordination of hiring processes, development and coordination of Department personnel training programs, new employee orientation, coordination of personnel safety functions, preparation of reports and other personnel activities.

Personnel Specialist, Assistant (Records Management), 2.0 FTE; Benefit Administrator

These positions support the Personnel Manager by maintaining personnel files, compiling data, responding to requests for information, receiving calls about job openings and typing forms, reports and correspondence. Prepares payroll and oversees the administration of the City's complex benefit packages for DHHS employees.

Finance, Budget and Accounting

Finance and Budget Manager (Manager 3)*

The position manages the administration of federal resources included in the Consolidated Plan (CDBG, HOPWA and ESG). The position also manages the development and preparation of the Department budget, including budget negotiations with the City Budget Office, Mayor's Office and City Council.

Finance Analyst Supervisor; Sr. Finance Analyst; Finance Analysts, 2.5 FTE; Accountant; Accounting Technician II, 2.0 FTE; Administrative Specialist I

The Grants Management Unit provides centralized control over the Department's grant expenditures, preparing financial reports, making reimbursement requests to grantors and maintaining a positive cash balance in the Department's Operating Fund. Responsibilities of this unit include Community Development Block Grant (CDBG) administration. Unit staff are assigned to the Department's operating divisions and are responsible for budgeting, monitoring and invoicing for the Department's fund sources used by the division.

This unit prepares fund source invoices for over 100 Department grant sources, maintains financial recordkeeping systems for programs and assists in the preparation of annual City financial reports.

General Accounting Manager (Manager 2)

This position manages the financial services of the Department, supervising the General Accounting and Accounts Payable functions and is responsible for audit compliance and coordination with federal, state and local auditors.

Sr. Accountant, 2.0 FTE; Principal Accountant; Accounting Technician I, 5.25 FTE; Data Entry Operator

This unit is responsible for maintaining all financial records and coordination of audits and resolution of any audit findings and for making payments to all Department subcontractors and other vendors.

Project Funding and Agreements Coordinator (2.0 FTE)*

These positions manage the financial resources of the CDBG grant, ensure that CDBG projects comply with CDBG environmental and other rules and prepare programmatic and financial reports to HUD on Seattle's CDBG activities.

Project Funding and Agreements Coordinator (.75 FTE)

This position provides financial technical assistance to contracting community agencies, assisting with audit compliance, financial reporting and financial systems. The position also assists program specialists in on-site reviews of agency operations, providing expertise in the review of agency financial operations as part of comprehensive program assessments.

* These positions are wholly funded by CDBG funds and are not included in the indirect cost pool.

Information/Technology

Information Technology Manager (Manager 3)

This position manages the information/technology unit, developing and administering department-wide policies regarding hardware, software, network administration and computer applications, supervising the Management System Analysts and serving as liaison with the City's Department of Information and Technology.

Sr. Management Systems Analyst (4.0 FTE); Systems Analyst (2.0 FTE)

These positions design, develop, implement and maintain hardware and software for the Department's financial management system and other department, financial, data, word, information and other processing systems. The section manages and maintains the Department's computer network, personal computers and other data devices and provides technical support for the Departments internal and public access web pages.

Division Directors

A Director is responsible for the overall management of each of the Department's three operating divisions. Each Division Director directs the planning, budgeting, service delivery and operation of the Division. Each Division provides services directly and through subcontracts, and each is funded by an array of direct and indirect federal, state and local grants.

YEAR 2001 INDIRECT COST RATE

DIRECT COSTS - ALL DEPARTMENT FUNDS

FUND 16200 (EXCLUDING CAPITAL COSTS)

H11 Aging & Disability Services (Less Division Director)	30,149,740
H12 Family & Youth Services (Less Division Director)	17,741,903
H14 Director's Office and Domestic Violence (Less Director's Office General Fund)	3,222,043
H15 Program Support (Less General Fund)	589,072
H17 Community Services	13,272,873
H21 Summer Youth	817,741
FUND 16200 TOTAL DIRECT COSTS	65,793,372

OTHER FUNDS (EXCLUDING ADMIN COSTS TO FUND 16200)

FUND 17810 - CDBG H Allocation	8,081,006
FUND 17820 - Other HUD H Allocations	146,250
FUND 17855 - Education Levy	4,402,876
FUND 63530 Gifts & Donations	343,096

TOTAL DIRECT COSTS - ALL FUNDS

78,766,600

INDIRECT COSTS - FUND 16200

H14 - Director's Office (H1400 General Fund)	841,400
H15 - Program Support (General Fund)	2,901,983
H11 - Aging & Disability Services Director	89,648
H12 - Family & Youth Services Division Director	101,010
H17 - Community Services Division Director	87,490
SUBTOTAL INDIRECT COSTS BEFORE COST ALLOCATION ADJUSTMENT	4,021,531

CITY CENTRAL COST ALLOCATION ADJUSTMENT - FUND 16200

1,465,350

TOTAL ADJUSTED INDIRECT COSTS - FUND 16200

5,486,881

PROPOSED YEAR 2001 INDIRECT COST RATE (See note below.)

5.9%

CALCULATIONS BASED ON 1999 ACTUALS

NOTE: The 2001 rate of 5.9% reflects a change in methodology from calculating the rate based on the current year data only to calculating the current year rate by averaging the rates for the past five years.

Prepared By: Kerry Schlund
December, 2000

INDIRECT COST POOL RATE

RATE WITHOUT CENTRAL COST POOL ADJUSTMENTS:

FOR	BASED ON	DIRECT		INDIRECT COST POOL			RATE
		ADJUSTED EXPENDITURES	INDIRECT EXPENDITURES	CITY CENTRAL COST ALLOC	TOTAL		
1983	1981	19,958,405	853,942	469,390	1,323,332	6.6%	
1984	1982	19,537,115	911,845	428,036	1,339,881	6.9%	
1985	1983	24,242,012	1,083,374	595,732	1,679,106	6.9%	
1986	1984	27,720,919	1,354,233	380,890	1,735,123	6.3%	
1987	1985	28,195,725	1,520,711	604,841	2,125,552	7.5%	
1988	1986	30,589,779	1,524,981	759,096	2,284,077	7.5%	
1989	1987	32,729,741	1,382,190	554,205	1,936,395	5.9%	
1990	1988	33,351,901	1,441,215	335,168	1,776,383	5.3%	
1991	1989	34,406,024	1,460,529	638,917	2,099,446	6.1%	
1992	1990	40,738,837	1,742,674	682,588	2,425,262	6.0%	
1993	1991	42,300,148	1,725,010	704,944	2,429,954	5.7%	
1994	1992	70,241,038	2,766,376	2,077,566	4,843,942	6.9%	
1995	1993	75,731,150	2,694,572	2,097,434	4,792,006	6.3%	
1996	1994	77,774,584	2,756,946	2,117,302	4,874,248	6.3%	
1997	1995	83,719,330	3,111,312	1,161,897	4,273,209	5.1%	
1998	1996	83,617,214	2,842,981	1,189,767	4,032,748	4.8%	
1999	1997	108,800,980	3,636,351	1,942,343	5,578,694	5.1%	
2000	1998	102,827,757	3,694,363	1,753,530	5,447,893	5.3%	
2001	1999	78,766,600	4,021,531	2,260,826	6,282,357	8.0%	
2002	2000					0.0%	
2003	2001					0.0%	

RATE WITH CENTRAL COST POOL ADJUSTMENTS:

		INDIRECT COST POOL				
FOR	BASED ON	DIRECT ADJUSTED EXPENDITURES	INDIRECT EXPENDITURES	CITY CENTRAL COST ALLOC	TOTAL	RATE
1983	1981	19,958,405	853,942	469,390	1,323,332	6.6%
1984	1982	19,537,115	911,845	428,036	1,339,881	6.9%
1985	1983	24,242,012	1,083,374	595,732	1,679,106	6.9%
1986	1984	27,720,919	1,354,233	380,890	1,735,123	6.3%
1987	1985	28,195,725	1,520,711	604,841	2,125,552	7.5%
1988	1986	30,589,779	1,524,981	651,930	2,176,911	7.1%
1989	1987	32,729,741	1,382,190	661,771	2,043,961	6.2%
1990	1988	33,351,901	1,441,215	577,566	2,018,781	6.1%
1991	1989	34,406,024	1,460,529	627,665	2,088,194	6.1%
1992	1990	40,738,837	1,742,674	709,441	2,452,115	6.0%
1993	1991	42,300,148	1,725,010	664,780	2,389,790	5.6%
1994	1992	70,241,038	2,766,376	1,284,930	4,051,306	5.8%
1995	1993	75,731,150	2,694,572	1,646,940	4,341,512	5.7%
1996	1994	77,774,584	2,756,946	1,828,066	4,585,012	5.9%
1997	1995	83,719,330	3,111,312	1,927,640	5,038,952	6.0%
1998	1996	83,617,214	2,842,981	1,876,186	4,719,167	5.6%
1999	1997	108,800,980	3,636,351	2,192,528	5,828,879	5.4%
2000	1998	102,827,757	3,694,363	1,864,137	5,558,500	5.4%
2001	1999	78,766,600	4,021,531	1,465,350	5,486,881	5.9% Change in Methodology to 5 Yr Averaging Col N
2002	2000	-	-	-	-	4.5%
2003	2001	-	-	-	-	4.2%
2004	2002	-	-	-	-	4.0%
2005	2003	-	-	-	-	3.7%
2006	2004	-	-	-	-	3.3%



City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

May 16, 2002

Ms. Susan Cohen
City Auditor
700 Fifth Avenue, Room 2410

Dear Ms. Cohen:

I am pleased to provide the Executive's response to the City Auditor's report on the Community Development Block Grant program below. The City Auditor's findings and recommendations, and the Executive's recommendations are as follows:

Finding #1: The grant allocation process is reasonable.

Auditor's Recommendations: None

Finding #2: Oversight could be improved to ensure effective use of CDBG funds

Auditor's Recommendations:

1. The CDBG Administration Unit, in cooperation with all City implementing agencies, should develop comprehensive and standardized monitoring procedures for all CDBG grant-funded organizations and projects. The monitoring procedures should specifically address the objectives for desk reviews and in-depth assessments; how risks will be identified and addressed; and the schedule for monitoring reviews and on-site inspections.
2. The CDBG Administration Unit and City implementing agencies should develop a monitoring plan at the beginning of each program year that matches available resources for monitoring and is consistent with the established procedures and schedules for evaluating community-based organizations' performance.
3. The CDBG Administration Unit, in cooperation with all City implementing agencies, should develop and implement standardized monitoring formats (e.g., sample checklists and assessment forms) to promote uniformity in documenting desk reviews and in-depth evaluations. The CDBG Administration Unit should also develop a reporting structure to ensure that any issues are addressed in an effective and timely manner.
4. HSD, in cooperation with the Mayor's Office and all City implementing agencies, should develop a funding model that ensures that sufficient CDBG administration and planning resources are directly allocated to meet HUD-mandated oversight and monitoring requirements.

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Executive's Recommendations:

Following the audit report, the CDBG unit submitted to HUD a new plan for compliance with federal monitoring requirements; the plan was accepted by HUD and includes implementation of a new monitoring checklist and realignment of resources to provide additional monitoring. The auditor has acknowledged HSD's efforts and success in completing a new monitoring plan for HUD. The Department of Finance will oversee compliance with these recommendations.

1. In the event that community-based organizations receive findings that cannot be resolved through other means, the City will require repayment of funds from the CDBG award.
2. In addition to the monitoring requirements from HUD, the CDBG unit will review and adjust community-based agency performance goals to ensure goals are not understated. Agencies will be required to adjust performance goals if they are understated more than two quarters in a row.
3. The CDBG unit will coordinate monitoring for contracts that cross departments and will develop a plan to consolidate multiple contracts with community-based organizations in order to provide better oversight and monitoring and reduce staff time.
4. The CDBG unit will report to the Housing, Human Services and Community Development Committee in September 2002 to identify changes made to the monitoring process; address the auditor's concerns with the monitoring plan; and describe the impact of redirecting CDBG funds to increase monitoring and oversight. The CDBG unit will report to the committee in June 2003 on the results of the annual HUD audit (to be performed in May 2003) and provide a list of agencies that have received findings and action taken to remedy those findings. Please see attached timeline.
5. If the CDBG unit has not implemented and successfully utilized the new monitoring procedures by June 2003, funds from the Human Services Department's administrative overhead (i.e., indirect cost pool) may be redirected to the CDBG unit in order to come into compliance with monitoring regulations.

Finding #3: Impact Report (the report required by HUD) works for HUD purposes but does not provide information about funds committed to community-based organizations' or performance results

Auditor's Recommendation:

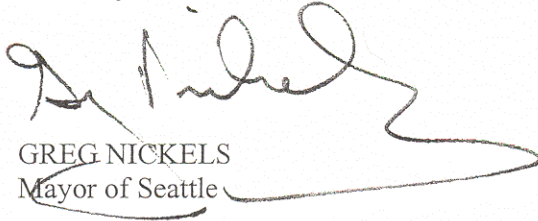
1. The CDBG Administration Unit and City implementing agencies should expand the annual Impact Report to provide condensed and project level information for decision-makers and other interested individuals to easily assess financial or program performance and determine whether CDBG funds were used effectively during the reporting period.
2. The CDBG Administration Unit and City implementing agencies should ensure that any differences between planned and actual program accomplishments are adequately explained in the Impact Report, particularly in relation to the national and local goals, strategies and objectives identified in the annual Consolidated Plan.
3. The CDBG Administration Unit and City implementing agencies should ensure that the annual Impact Report contains adequate financial data, including allocation, budget and expenditure data, to report on the financial status of each City grant department, community-based sub-recipient and individual project.

Executive's Recommendations:

The CDBG unit will develop a report, using HUD recommendations, that clearly tracks funding of community-based organizations to performance measures, services provided and number of people served.

Thank you for your review of this program and your recommendations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Greg Nickels", with a long, sweeping horizontal line extending to the right.

GREG NICKELS
Mayor of Seattle

Attachment

CDBG Monitoring Plan - Timeline for Implementation

Timeline	Key Performance Deliverables
February 2002	CDBG Administration Unit submitted the City's CDBG Three Year Comprehensive Monitoring Plan. HUD approved the City's Plan.
March – April	CDBG Administration Unit participated in four HSD focus groups held between March and April that focused on on-site monitoring, financial review, and desk monitoring. CDBG Administration Unit will finalize the monitoring assessment tools and coordinate a citywide training workshop.
April 19 – May	State Auditor's Office will review and audit the CDBG Program (every other year, the SAO performs an in-depth review).
May	CDBG Administration will complete the 2001 IDIS Project-specific Performance, Expenditure, and Demographic report.
May 6 - 13	HUD will review the CDBG Program (HUD performs their on-site review of the CDBG program every year).
May 9	CDBG Administration Unit will convene a Citywide workshop for CDBG Program and Contract Monitors on implementing the CDBG Three Year Comprehensive Monitoring Plan.
July 1	HSD will propose a plan for redirecting existing CDBG administration resources to support the increased monitoring effort.
September	CDBG Administration Unit will report to the Council's Housing, Human Services and Community Development Committee on the year-to-date progress as well as implementation
By the end of 2002	CDBG Administration Unit, in cooperation with HSD, OED, and OH, will complete 4 to 6 "high-risk" non-profit Agency Comprehensive Assessments (which includes 19 plus contracts); complete 10 to 15 on-site monitoring; and conduct periodic compliance check on desk monitoring.
First Quarter of 2003	CDBG Administration Unit will perform risk analysis as defined by the Plan and select agencies for the comprehensive agency assessment.
June 2003	CDBG Administration Unit will report to the Council's Housing, Human Services and Community Development Committee on progress.

Office of City Auditor Report Evaluation Form

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Your feedback helps us do a better job. If you could please take a few minutes to fill out the following information for us, it will help us assess and improve our work.

* * * * *

Report: Administration of Seattle's Community Development Block Grant

Please rate the following elements of this report by checking the appropriate box:

	Too Little	Just Right	Too Much
Background Information			
Details			
Length of Report			
Clarity of Writing			
Potential Impact			

Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, thoughts, ideas: _____

Name (Optional): _____

Thanks for taking the time to help us.

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Mail: Office of City Auditor, Suite 2410, 700 Fifth Avenue, Seattle, WA 98104-5030

Call: Susan Cohen, City Auditor, 233-3801

E-mail: auditor@ci.seattle.wa.us

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